



Legislative Fiscal Bureau

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May 4, 2021

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: 2020-21 Appropriation Lapses and Transfers to the General Fund

The notice for the Committee's May 6 meeting on the 2021-23 budget includes consideration of lapses and transfers to the general fund. This memorandum discusses 2020-21 lapses/transfers to the general fund from various agencies that were announced by the Department of Administration.

On July 22, 2020, the Department of Administration (DOA) announced that executive branch agencies would be required to lapse from GPR appropriations and transfer from certain program revenue appropriations a total of \$250 million to the general fund in the 2020-21 fiscal year. This would be in addition to \$70 million lapse/transfer amount required for 2019-20.

On September 22, 2020, DOA indicated that the 2020-21 lapse/transfer to the general fund would be increased to \$300 million due, in part, to enhanced federal funds under the federal medical assistance percentage (FMAP) rate, which would allow for a decrease in GPR spending for that program. It was also indicated that specific information regarding affected appropriations would be available in December, 2020.

In total, DOA indicated that the amount to be lapsed and transferred to the general fund for the 2020-21 fiscal year would be \$300,911,100. The components of that amount are shown below.

	<u>Amount</u>
Lapses from Agency GPR Appropriations	\$156,271,500
Lapse from the GPR Medical Assistance Benefits Appropriation	140,000,000
Program Revenue Appropriation Transfers from:	
Office of Commissioner of Insurance	2,469,600
Department of Financial Institutions	1,450,000
Department of Revenue	700,000
Department of Workforce Development	<u>20,000</u>
Total	\$300,911,100

Attached is a listing of the required DOA 2020-21 lapse and transfer amounts by agency and appropriation. DOA recently indicated that the lapse/transfer amounts shown on the table remain unchanged, however, agencies could amend how they meet their overall targets prior to the end of the fiscal year. Thus, the total requirement for each agency would not change, but the specific appropriation from which the lapse/transfer is made might.

In reviewing the attachment, it should be noted that a number of the lapses are the result of one-time federal funds, use of available program revenue or segregated revenue balances, or a reduction in program activity due to the pandemic. Some of these instances and other appropriation lapses are referenced below.

- The lapse of the medical assistance (MA) benefits appropriation is listed in the attachment as \$140 million. This is due to the increase in each state's FMAP of 6.2% during each calendar quarter during which the federal health emergency related to COVID-19 is in effect. Due to the continuation of the enhanced FMAP, it is now projected that the MA lapse for 2020-21 will be \$771.6 million.

- Similar to the MA lapse, the proposed one-time lapse of \$9.0 million in SeniorCare benefits is also the result of enhanced federal funding. In both cases, the GPR appropriation for the 2021-23 biennium will be established based on a reestimate of program enrollment and expenditures, taking into consideration an expectation that the enhanced federal matching rates will continue at least through the end of calendar year 2021.

- On March 13, 2020, the Governor issued a hiring freeze for executive branch agencies, which currently remains in place. As a result, during 2020-21, more positions have been held vacant than would normally occur. In cases where funding for vacant positions is not otherwise utilized for expenses such as overtime or hiring contracted staff, it will be applied, on a one-time basis, to the lapse requirements.

- It is likely that a number of the GPR lapses were made possible due to the use of other funds available to the agency. This would especially apply to the use, on a short-term basis, of program or segregated revenues in agencies such as DATCP and DNR. The balances in a number of these accounts was reduced in order that the GPR lapses could occur.

- Some of the lapse amounts are the result of activities being cancelled during the pandemic. For example, county fairs and the World Dairy Expo were not held, which allowed for a lapse from appropriated amounts under DATCP.

- For the appropriations under Military Affairs, the identified lapses were due to COVID-related temporary reductions in expenditures. During the pandemic, the Department conducted fewer emergency response trainings, deferred equipment upgrades and building maintenance projects, and delayed hiring decisions.

- The lapse from the Department of Revenue's general program operations is partly the result of travel expenses, primarily audit-related travel, being eliminated during the pandemic. Audit-related travel, especially to corporate headquarters in other states, is expected to resume as the pandemic subsides.
- For the Department of Corrections, the public health emergency and related policies temporarily suspended most inmate programming and significantly decreased adult institution populations in 2019-20 and 2020-21. As a result, certain inmate-related expenditures were reduced in these years.
- The three appropriation lapses under the Department of Justice came from grant programs, funded on a reimbursement basis. The slowdown in the courts system due to the pandemic affected expenditures for these programs. As court operations resume, it is anticipated that grant program expenditures will increase.
- The lapse listed at the residential schools for blind and deaf pupils under the Department of Public Instruction is the result, in part, of holding GPR positions vacant. Some positions were not needed because pupils were not staying in dorms on campus, such as food service workers and health services. A limited number of pupils returned to the campuses on April 19, 2021, and the schools plan to return to in-person instruction this summer and fall.
- The lapse from the general school aids appropriation is the result of over-levy penalties assessed on school districts under statute. These vary year-to-year and do not represent unallocated aid.
- The lapse from the K4 grant appropriation is the result of 2020-21 aid eligibility and does not reflect ongoing demand for the grants in the 2021-23 biennium.

If there is interest in requiring agency lapses/transfers to the general fund in the 2021-23 budget, the following points are provided for consideration.

Appropriations could be reduced or be required to lapse/transfer a certain amount. If a lapse is to be applied, funding in the succeeding year (or biennium) would be restored as base funding. This would not occur if the appropriations were to be reduced in the schedule of appropriations under Chapter 20 of the statutes.

Rather than determining reductions or lapse/transfer amounts at the beginning of 2021-23 budget deliberations, such decisions could be made at the end of the budget process. This is when lapse or reduction decisions were made in previous budgets when it was determined that the general fund balance was insufficient or that funding was needed to address other priorities.

The process used to achieve desired reductions or lapse/transfers can be accomplished in one of two ways. The first would be to review appropriations to determine which ones to affect. This would require a detailed examination and justification of each appropriation. The other would be to

establish a dollar amount for each agency subject to the reduction or lapse/transfer and apply the amount to the agency's largest general program operations appropriation. If, during the course of the biennium, an agency wanted to shift some of its required amount to other appropriations within the agency, it could do so with the approval of the Joint Committee on Finance.

BL/lb
Attachment

ATTACHMENT

2020-21 Required Lapses/Transfers to the General Fund

<u>Agency/Appropriations</u>	<u>Appropriated Amount</u>	<u>Lapse/ Transfer</u>	<u>% of Appropriation</u>
DATCP			
20.115(1)(a) Food Inspection	\$3,947,400	\$540,000	13.7%
20.115(1)(a) Trade and Cons. Protection -- General Operations	1,805,500	833,600	46.2
20.115(2)(a) Animal Health -- General Operations	2,924,200	110,000	3.8
20.115(3)(a) Ag. Development - General Operations	2,161,000	90,000	4.2
20.115(4)(b) County Fair Aids	456,400	366,400	80.3
20.115(4)(e) World Dairy Expo	20,100	20,100	100.0
20.115(4)(d) Dairy Industry Promotion	200,000	200,000	100.0
20.115(7)(a) Ag. Resource Mgt -- General Operations	852,400	450,000	52.8
20.115(7)(dm) Farmland Pres. Planning Grants	210,000	190,000	90.5
20.115(8)(a) Central Administration	6,429,000	<u>342,400</u>	5.3
Total Lapse -- DATCP		\$3,142,500	
Financial Institutions			
20.144(1)(g) General Program Operations	\$18,043,400	\$1,450,000	8.0%
Insurance			
20.145(1)(g) General Program Operations	\$19,756,400	\$2,469,600	12.5%
Educational Communications Board			
20.225(1)(a) General Program Operations	\$2,931,900	\$125,300	4.3%
20.225(1)(b) Energy Costs	948,300	<u>118,200</u>	12.5
Total Lapse -- ECB		\$243,500	
Higher Educational Aids Board			
20.235(1)(cm) Nursing Student Loans	\$445,500	\$18,000	4.0%
20.235(1)(cr) Minority Teacher Loans	259,500	18,000	6.9
20.235(2)(aa) General Program Operations	1,017,900	<u>9,000</u>	0.9
Total Lapse -- HEAB		\$45,000	
Historical Society			
20.245(1)(a) General Program Operations	\$15,543,000	\$896,600	5.8%
20.245(1)(c) Energy Costs	914,400	<u>100,000</u>	10.9
Total Lapse -- Historical Society		\$996,600	
Public Instruction			
20.255(1)(a) General Program Operations	\$12,350,000	\$300,000	2.4%
20.255(1)(b) Res. Schools General Operations	11,928,400	400,000	3.4
20.255(1)(c) Energy Costs	548,500	200,000	36.5
20.255(1)(dw) Pupil Assessment	18,558,400	2,500,000	13.5
20.255(1)(e) Student Information System	3,400,000	500,000	14.7
20.255(1)(em) Academic Career Plans	1,100,000	131,300	11.9
20.255(1)(ek) Longitudinal Data System	3,488,100	500,000	14.3
20.255(1)(ee) Educator Effectiveness Evaluation	973,300	200,000	20.5
20.255(1)(eL) WISELearn	1,359,000	1,000,000	73.6
20.255(1)(cm) Renewable Energy Costs	14,500	14,000	96.6
20.255(1)(eg) Rural School Teacher Pilot	1,500,000	187,100	12.5
20.255(2)(ac) General School Aids	4,903,590,000	1,160,000	< 0.1
20.255(2)(cg) Tuition Payments	8,242,900	700,000	8.5
20.255(2)(bf) Special Education Transition Grants	3,600,000	11,000	0.3
20.255(2)(dp) 4-K Grants	1,350,000	<u>1,074,000</u>	79.6
Total Lapse -- DPI		\$8,877,400	

<u>Agency/Appropriations</u>	<u>Appropriated Amount</u>	<u>Lapse/Transfer</u>	<u>% of Appropriation</u>
UW System			
20.285(1)(a) General Program Operations	\$910,158,600	\$45,360,500	5.0%
Wisconsin Technical College System			
20.292(1)(a) General Program Operations	\$2,950,400	\$34,600	1.2%
20.292(1)(d) General Aid	101,034,900	3,168,545	3.1
20.292(1)(f) Grants to District Boards	21,874,200	<u>2,720,555</u>	12.4
Total Lapse -- WTCS		\$5,923,700	
Natural Resources			
20.370(1)(ma) Fish and Wildlife - General Operations	\$1,315,100	\$234,200	17.8%
20.370(1)(kb) Walleye Production	500,000	150,000	30.0
20.370(1)(fd) Endangered Resources	308,700	55,000	17.8
20.370(3)(ma) Public Safety - General Operations	1,601,300	285,200	17.8
20.370(4)(ma) Environmental Management - General Operations	10,311,400	1,791,200	17.4
20.370(4)(af) Water Resources Remedial Action	50,000	8,900	17.8
20.370(5)(fc) Summer Tribal Youth Program	250,000	44,500	17.8
20.370(6)(da) Water Quality Planning Aids	196,400	50,000	25.5
20.370(7)(fa) Resource Maintenance	755,600	144,400	19.1
20.370(7)(ha) Facilities Acquisition	144,400	15,900	11.0
20.370(8)(ma) Internal Services -- General Program Operations	3,647,000	649,600	17.8
20.370(9)(ma) External Services -- General Operations	9,411,100	<u>1,645,900</u>	17.5
Total Lapse -- DNR		\$5,074,800	
Tourism			
20.380(1)(b) Tourism Marketing	\$2,571,000	\$801,300	31.2%
Corrections			
20.410(1)(a) General Program Operations	\$859,861,400	\$9,785,800	1.1%
20.410(1)(b) Community Corrections	162,078,400	1,649,700	1.0
20.410(1)(bd) Services for OWI Offenders	4,913,000	1,809,900	36.8
20.410(1)(bm) Pharmacological Treatment	58,900	53,700	91.2
20.410(1)(f) Energy Costs	26,866,300	800,000	3.0
20.410(1)(d) Purchased Services	31,190,000	500,000	1.6
20.410(1)(ds) Becky Young Community Corrections	12,988,800	100,000	0.8
20.410(1)(fm) Renewable Energy	560,800	100,000	17.8
20.410(1)(ab) Contract Beds and Agreements	32,890,800	11,312,700	34.4
20.410(1)(bn) Probation/Parole Holds Reimbursement	4,885,700	100,000	2.0
20.410(3)(cg) Serious Juvenile Offenders	17,792,800	<u>2,031,900</u>	11.4
Total Lapse - DOC		\$28,243,700	
Employment Relations Commission			
20.425(1)(a) General Program Operations	\$895,200	\$58,700	6.6%
Board on Aging and Long-Term Care			
20.432(1)(a) General Program Operations	\$1,589,500	\$115,000	7.2%
Health Services			
20.435(4)(bv) Senior Care Benefits	\$20,090,100	\$9,000,000	44.8%
20.435(4)(br) Funeral and Cemetery Burial Aids	8,500,000	1,000,000	11.8
20.435(4)(e) Disease Aids	3,939,300	1,000,000	25.4
20.435(2)(bj) Mental Health Contracted Services	19,427,900	<u>720,700</u>	3.7
Total Lapse -- DHS		\$11,720,700	

<u>Agency/Appropriations</u>	<u>Appropriated Amount</u>	<u>Lapse/Transfer</u>	<u>% of Appropriation</u>
Medical Assistance Benefits			
20.435(4)(b) Medical Assistance Benefits	\$3,456,720,900	\$140,000,000	4.1%
Children and Families			
20.437(1)(cx) Child Welfare Services	\$66,550,000	\$7,000,000	10.5%
20.437(1)(cd) Domestic Abuse Grants	12,434,600	1,000,000	8.0
20.437(1)(cm) Community Intervention Program	3,712,500	500,000	13.5
20.437(1)(e) Services for Sex Trafficking Victims	3,000,000	2,000,000	66.7
20.437(2)(bc) Child Support Local Assistance	9,010,000	1,416,600	15.7
20.437(2)(dz) TANF Services - Maintenance of Effort	131,077,000	7,989,100	6.1
20.437(1)(a) Child Welfare - General Operations	12,184,300	1,530,000	12.6
20.437(1)(cw) Milwaukee Child Welfare - General Operations	19,436,300	1,530,000	7.9
20.437(2)(em) Drug Testing and Treatment Costs	250,000	240,000	96.0
20.437(3)(a) General Program Operations	1,846,900	<u>1,500,000</u>	81.2
Total Lapse -- DCF		\$24,705,700	
Workforce Development			
20.445(1)(d) Reimbursement for Tuition Payments	\$1,753,500	\$347,500	19.8%
20.445(1)(pz) Federal Indirect Costs	25,300	<u>20,000</u>	79.1
Total Lapse/Transfer -- DWD		\$367,500	
Justice			
20.455(2)(bm) Law Enforcement Supplement Grants	\$1,000,000	\$612,450	61.2%
20.455(2)(em) TAD Program	5,150,000	3,094,450	60.1
20.455(2)(en) Diversion Pilot Program	261,000	<u>130,500</u>	50.0
Total Lapse -- DOJ		\$3,837,400	
Military Affairs			
20.465(1)(a) General Program Operations	\$7,103,300	\$280,000	3.9%
20.465(1)(b) Repair and Maintenance	923,900	70,000	7.6
20.465(1)(e) State Flags	400	400	100.0
20.465(1)(f) Energy Costs	2,167,300	100,000	4.6
20.465(3)(a) Emergency Mgmt. General Operations	2,490,300	331,500	13.3
20.465(3)(dp) Emergency Response Equipment	417,000	50,000	12.0
20.465(3)(dt) Emergency Response Training	57,900	<u>15,000</u>	25.9
Total Lapse -- DMA		\$846,900	
Administration			
20.505(1)(a) General Program Operations	\$6,734,300	\$1,372,500	20.4%
20.505(4)(ae) Women's Council	149,700	3,000	2.0
20.505(4)(ec) Service Award Program Operations	17,200	15,000	87.2
20.505(4)(f) Council on Homelessness Operations	104,500	10,500	10.0
20.505(7)(a) Housing - General Operations	926,000	85,000	9.2
20.505(7)(b) Housing Grants and Loans	3,097,800	282,800	9.1
20.505(7)(ft) Employment Grants	75,000	<u>75,000</u>	100.0
Total Lapse -- DOA		\$1,843,800	
Board of Commissioners of Public Lands			
20.507(1)(a) General Program Operations	\$1,724,700	\$108,700	6.3%
Elections Commission			
20.510(1)(a) General Program Operations	\$4,522,400	\$505,700	11.2%
20.510(1)(be) Investigations	25,000	25,000	100.0
20.510(1)(c) Voter ID Training	82,600	<u>48,000</u>	58.1
Total Lapse -- Elections Commission		\$578,700	

<u>Agency/Appropriations</u>	<u>Appropriated Amount</u>	<u>Lapse/ Transfer</u>	<u>% of Appropriation</u>
Ethics Commission			
20.521(1)(be) Investigations	\$225,500	\$113,900	50.5%
Governor			
20.525(1)(a) General Program Operations	\$3,541,400	\$494,400	14.0%
20.525(2)(a) Executive Residence General Operations	347,100	<u>11,800</u>	3.4
Total Lapse -- Governor		\$506,200	
Revenue			
20.566(1)(a) General Program Operations	\$67,107,800	\$3,071,500	4.6%
20.566(2)(a) Local Finance - General Operations	8,041,500	100,000	1.2
20.566(2)(bm) Property Assessment System Technology	2,461,200	300,000	12.2
20.566(3)(a) Administrative Services General Operations	31,788,200	900,000	2.8
20.566(3)(b) Tax System Technology	4,087,100	600,000	14.7
20.566(1)(hb) Collections	1,228,600	100,000	8.1
20.566(1)(gb) Business Tax Registration	1,757,400	100,000	5.7
20.566(1)(g) County Sales Tax Administration	3,117,900	300,000	9.6
20.566(1)(h) Debt Collection	2,984,800	100,000	3.4
20.566(1)(hc) Financial Record Matching	498,200	<u>100,000</u>	20.1
Total Lapse/Transfer -- DOR		\$5,671,500	
Miscellaneous Appropriations			
20.855(4)(f) Transfer to Environmental Fund	\$7,991,100	\$998,900	12.5%
Program Supplements			
20.865(1)(dm) Discretionary Merit Compensation	\$2,300,000	\$2,300,000	100.0%
20.865(2)(e) Capitol/Executive Residence Maintenance	4,508,900	<u>4,508,900</u>	100.0
Total Lapse -- Program Supps.		\$6,808,900	
Grand Total -- Required Lapses/Transfers		\$300,911,100	